



Title: I, Payroll/Personnel Manual

Chapter: 28, Section 2, Tax Formulas (TAXES)

Bulletin: TAXES 04-33 Earned Income Credit (EIC)

Date: December 22, 2004

To: Holders of the Payroll/Personnel Manual
Personnel User Groups
Agency Personnel Offices

Beginning with wages paid for Pay Period 25, the following changes will be made to the Earned Income Credit (EIC) advance payment formula:

- The maximum limit on year-to-date earnings to be eligible for an EIC payment changed from \$30,338 to \$31,030 for Single/Head of Household/Widow(er) filers and the maximum limit for Married filers changed from \$31,338 to \$33,030.
- The maximum annual EIC payment has changed from \$1,563 to \$1,597 for employees filing Single/Head of Household/Widow(er) or Married Without Spouse Filing Certificate.
- The maximum annual EIC payment has changed from \$781 to \$799 for employees filing Married With Both Spouses Filing Certificates.
- The EIC tables changed for employees filing as Single/Head of Household/Widow(er), Married Without Spouse Filing Certificate, and Married With Both Spouses Filing Certificates.

Also, the earned income tax credit for Calendar Year (CY) 2005 will increase to \$5,220 for a qualified individual with no children, to \$7,830 for a qualified individual with one child, and to \$11,000 for a qualified individual with two or more children.

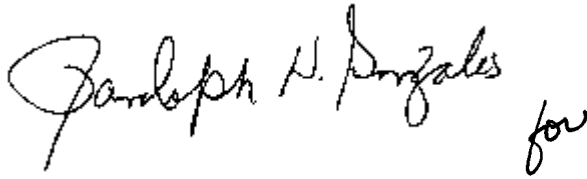
To view and/or print the updated EIC advance payment formula, go to the National Finance Center (NFC) home page (www.nfc.usda.gov) and click **Pubs & Forms**. Then at the Pubs & Forms page left-hand menu, click **Tax Formulas** and select **Federal** from the map provided. Changes to the tax formula are identified by “►◄”.

W-5, Earned Income Credit Advance Payment Certificate

Employees eligible for EIC payments for CY 2005 must submit a new W-5. W-5s for CY 2004 expire December 31, 2004, with payments for Pay Period 24. A W-5 filed for CY 2004 does not extend EIC payments for CY 2005. EIC payments for CY 2005 commence with the pay period in which the W-5s are received.

Inquiries

For questions about NFC processing, contact the Payroll Operations Branch at **504-255-4630** . Refer questions about system access and other system-related issues to Customer Support at **504-255-5230** or via e-mail at *customer.support@usda.gov*.

A handwritten signature in black ink, reading "Joseph H. Gonzales" followed by a small "for" written below it.

MARK J. HAZUDA, Director
Government Employees Services Division

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Earned Income Credit (EIC) Advance Payment Information

►(Effective Pay Period 25, 2004)

Use the following steps to calculate the EIC payment. **Note:** Once the employee's year-to-date Medicare (HITS) wages paid reach **\$31,030** or more for **single, head of household, or widow(er)** filers or **\$33,030** or more for **married** filers, the EIC payment is \$0.00.

1. Multiply biweekly Medicare (HITS) wages times 26 to obtain the annual HITS wages.
2. If the employee (**single, head of household, or qualifying widow(er)**) is filing for EIC advance payment, apply the annual wages to the following table:

If the Amount of Annual Wages Is:		The Amount of EIC Advance Payment Should Be:			
Over:	But Not Over:				Of Excess Over:
\$ 0	\$ 7,830.00	\$ 0	plus	20.400%	\$ 0
7,830.00	14,370.00	1,597.00			
14,370.00	31,026.24	1,597.00	less	9.588%	14,370.00
31,026.40	and over	0			

3. If the **married employee (not spouse)** is filing for EIC advance payment, apply the annual wages to the following table:

If the Amount of Annual Wages Is:		The Amount of EIC Advance Payment Should Be:			
Over:	But Not Over:				Of Excess Over:
\$ 0	\$ 7,830.00	\$ 0	plus	20.400%	\$ 0
7,830.00	16,370.00	1,597.00			
16,370.00	33,026.24	1,597.00	less	9.588%	16,370.00
33,026.24	and over	0			

4. If the **married employee and spouse** are filing for EIC advance payment, apply the annual wages to the following table:

If the Amount of Annual Wages Is:		The Amount of EIC Advance Payment Should Be:			
Over:	But Not Over:				Of Excess Over:
\$ 0	\$ 3,915.00	\$ 0	plus	20.400%	\$ 0
3,915.00	8,185.00	799.00			
8,185.00	16,518.34	799.00	less	9.588%	8,185.00
16,518.34	and over	0			

5. Divide the annual EIC advance payment amount by 26 to obtain the biweekly EIC advance payment amount.